

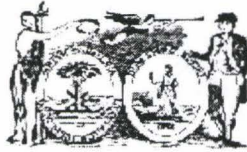
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STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF GENERAL SERVICES

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

July 12, 2001

Mr. George N. Dorn, Jr., Director
Office of General Services
1201 Main Street, Suite 420
Columbia, South Carolina 29201

Dear George:

I have attached the audit report for the South Carolina Department of Consumer Affairs. Since we are not recommending any certification above the basic \$5,000 allowed by the Code, no action is required by the Budget and Control Board. Therefore, I recommend that the report be presented to the Budget and Control Board as information.

Sincerely,

Voight Shealy

R. Voight Shealy
Materials Management Officer

/jl

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SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS

PROCUREMENT AUDIT REPORT

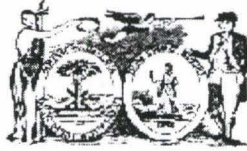
JULY 1, 1999 – MARCH 31, 2001

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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

June 14, 2001

Mr. R. Voight Shealy
Materials Management Officer
Office of General Services
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of the South Carolina Department of Consumer Affairs for the period July 1, 1999 through March 31, 2001. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code and State regulations, and the Department's procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of the Department of Consumer Affairs is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this

responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place the Department of Consumer Affairs in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely,

A handwritten signature in dark ink, appearing to read "Larry G. Sorrell", written in a cursive style.

Larry G. Sorrell, Manager
Audit and Certification

INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of the Department of Consumer Affairs. Our on-site review was conducted May 8-17, 2001 and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally, our work was directed toward assisting the Department in promoting the underlying purposes and policies of the Code as outlined in Section 11-35-20, which includes:

- (1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State
- (2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State
- (3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process

SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of the Department of Consumer Affairs and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We systematically selected a sample from the period July 1, 1999 through March 31, 2001 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included but was not limited to a review of the following:

- (1) All sole source, emergency and trade-in sale procurements from the period July 1, 1999 through March 31, 2001
- (2) Procurement transactions for the audit period as follows:
 - a) Forty payments greater than \$1,500 each
 - b) A block sample of one hundred ten numerical purchase orders from fiscal year 2001 reviewed for order splitting and favored vendors
- (6) Surplus property procedures
- (3) Minority Business Enterprise Plan and reports
- (4) Information Technology Plans for fiscal years 1999-2001
- (5) Internal procurement procedures manual
- (7) Real property lease procedures
- (8) File documentation and evidence of competition

RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement operating policies, procedures and related manual of the Department of Consumer Affairs for the period July 1, 1999 through March 31, 2001.

Since our last compliance audit, the Department of Consumer Affairs has maintained what we consider to be a professional, efficient procurement system. However, we did note the following item which should be addressed by management.

Unauthorized Procurements

We noted two unauthorized procurements, as defined in Regulation 19-445.2015, as the contract amounts exceeded the Department's procurement authority of \$5,000.

<u>Date</u>	<u>Voucher</u>	<u>Description</u>	<u>Amount</u>
10/01/99	184	Digital dictation system lease of 5 years	\$3,960/quarter
02/24/00	503	Office bookcases	5,641

We noted no evidence of compliance to the Code on the five-year lease to upgrade the digital dictation system. The total value of the lease is \$79,200 with quarterly payments of \$3,960. Since the contract period exceeded 12 months, a multi-term determination was required per Section 11-35-2030 of the Code. The determination was not completed. The Drug-Free Workplace Act also applied as the total value of the contract exceeded \$50,000, however the Department did not request the certification from the vendor.

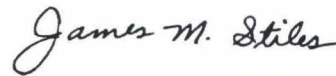
The Department solicited three written quotes to support the procurement that was paid on voucher 503. The bookcases were required after the Department moved to a new location. With time being a critical factor on moving and setting up the new offices, the Department made the award which was over the Department's procurement authority. An emergency procurement determination may have been appropriate, however the emergency procurement method was not utilized.

We recommend the Department comply with the procurement authority noted in the Code. Ratification requests for each unauthorized procurement must be submitted to the Materials Management Officer in accordance to Regulation 19-445.2015.

CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report, we believe, will in all material respects place the Department of Consumer Affairs in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

The Department has not requested increased procurement certification above the basic limit of \$5,000 allowed by the Code. Subject to corrective action listed in this report, we will recommend the Department of Consumer Affairs be allowed to continue procuring goods and services, consultant services, construction and information technology up to the basic level of \$5,000 as allowed by the South Carolina Consolidated Procurement Code and accompanying Regulations.



James M. Stiles, CPPB
Audit Manager



Larry G. Sorrell, Manager
Audit and Certification

The State of South Carolina
Department of Consumer Affairs

3600 FOREST DRIVE
P.O. BOX 5757
COLUMBIA, S.C. 29250-5757

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Administrator
and
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July 12, 2001

Mr. Larry Sorrell, Manager
Audit and Certification
1201 Main Street, Suite 600
Columbia, SC 29201

Dear Mr. Sorrell:

We have reviewed and evaluated the findings cited in the draft Procurement Audit Report for the period July 1, 1999 – March 31, 2001. We concur with these findings and will implement corrective actions as soon as possible.

If you have questions or need additional information, please call me at 734-4277. We look forward to working with you in the future.

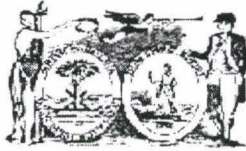
Sincerely,



Herbert Walker
Deputy Director

STATE OF SOUTH CAROLINA
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R. VOIGHT SHEALY
MATERIALS MANAGEMENT OFFICER

July 12, 2001

Mr. R. Voight Shealy
Materials Management Officer
Materials Management Office
1201 Main Street, Suite 600
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the South Carolina Department of Consumer Affairs' response to our audit report for July 1, 1999 – March 31, 2001. Also, we have followed the Department's corrective action during and subsequent to our field work. We are satisfied that the Department has corrected the problem areas and the internal controls over the procurement system are adequate.

Additional certification was not requested. Therefore, we recommend the Office be allowed to continue procuring all goods and services, construction services, information technology and consulting services up to the basic level of outlined in the Code.

Sincerely,

A handwritten signature in cursive script, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager
Audit and Certification

LGS/jl

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Unit Cost -	.18
Total Cost -	\$4.50